HOUSING MARKET OUTLOOK
Trois-Rivières CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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Residential real estate*: a strong year in 2010

The residential real estate market in the Trois-Rivières census metropolitan area (CMA) will remain very active in 2010. In 2011, however, the pace will slow down. This will be the case on the resale market and, even more so, on the new home market. The very favourable financing conditions will stimulate the market until the middle of 2010, but the anticipated rise in mortgage rates, which has already begun, will curb activity in the latter half of 2010 and during 2011. On the other hand, migration remains strong in the CMA and will support the overall market in 2010 and 2011. The rental market, for its part, will stay stable in the CMA over the next two years.

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Figure 1

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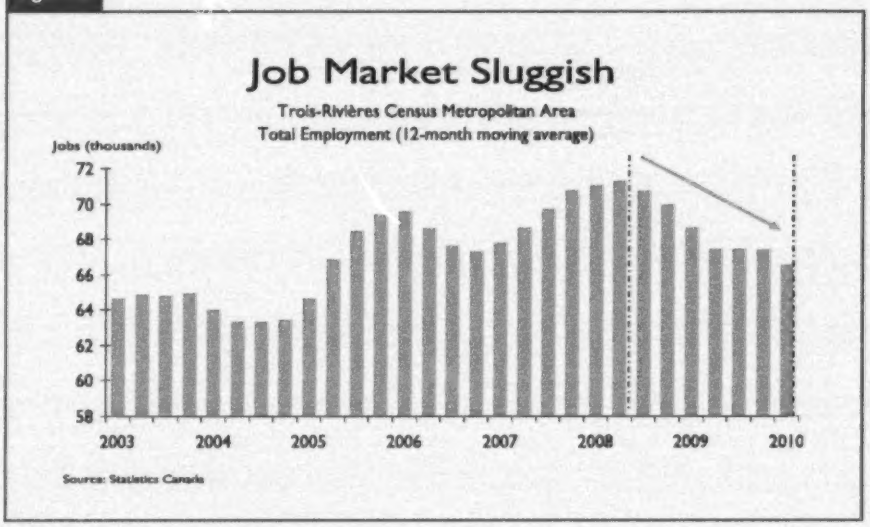
*The forecasts included in this document are based on information available as of April 23, 2010.

Job market still sluggish

Last year's economic downturn put the Trois-Rivières CMA economy, and more particularly the job market, to the test. In fact, since the end of the summer of 2008, job losses have been accumulating in the CMA, with most the jobs lost having been full-time. Of course, the recovery, which has been under way for a few months now, should breathe new life into the regional economy. However, the recent strength of the Canadian dollar in relation to the U.S. currency for some time should limit economic activity in the Trois-Rivières area. Once again, the manufacturing sector, which accounts for nearly 15 per cent of the job market in the CMA, will be affected. While manufacturing companies will see their orders pick up slightly as the recovery goes on, they will now have to fight to stay competitive on the market. On the other hand, the residential and non-residential construction sectors will still be strong in 2010. In fact, the starts volume will be very high, and several infrastructure projects that began in 2009 will continue. Consequently, the number of jobs in the Trois-Rivières CMA will remain stable in comparison with 2009.

For 2011, the economic recovery will grow stronger and boost the economy in the CMA. In addition, the area will benefit from significant investments. The various projects in question will therefore revitalize the construction sector in Trois-Rivières over the coming years. As a result, the number of jobs in the CMA should grow by 2.4 per cent in 2011.

Figure 2



Current migration and demographic trends to continue

The demographic and migration trends that have been shaping housing demand in the Trois-Rivières CMA for the past several years will continue in 2010 and 2011. The number of new households, an indicator of potential housing demand over the medium and long terms, will be slightly on the rise, and just under 600* new households will be added annually in the CMA. However, older households (55 years or older) will be the ones who will fuel this growth, as the decline will continue in the case of younger households (15 to 54 years).

A real driving force behind residential construction in Trois-Rivières for over five years now, migration will still be strong in 2010 and 2011. For one thing, the CMA will partly benefit from the increase in immigration targets in Quebec**. For another, net intraprovincial migration levels will remain high, supported by a progressive return of young retirees to the Trois-Rivières area. The combination of these two migration phenomena will put pressure on housing demand in the CMA, and more particularly on demand for rental housing.

Mortgage Rates

The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. Looking ahead, we expect that short-term interest rates will begin to rise in the second half of 2010.

With the overnight rate expected to increase in the coming months, mortgage rates have begun to rise. According to CMHC's base case scenario, posted mortgage rates will gradually increase throughout the course of 2010, but will do so at a

** According to CMHC's demographic projections.*

***Target set by the Quebec government for the number of immigrant people admitted. For 2010, the target is between 52,400 and 55,000 newcomers.*

slow pace. For 2010, the one-year posted mortgage rate is assumed to be in the 3.6-4.8 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2-6.7 per cent range. For 2011, the one-year posted mortgage rate is assumed be in the 5.0-6.0 per cent range, while three and five-year posted mortgage rates are forecast to be in the 5.6-7.2 per cent range.

Rates could, however, increase at a faster pace if the economy recovers more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Resale volumes to remain high

In 2010 and 2011, the resale market will be largely influenced by the changes in mortgage rates. The very favourable financing conditions greatly stimulated the resale market at the end of 2009. The mortgage rates reached historically low levels, encouraging many households to access homeownership. In addition, the announcement by the Bank of Canada that the key policy rate will be maintained at its lowest level until June 2010 will have an anticipation effect among households. In fact, some will move up their purchase decisions in order to take advantage of these very good conditions, while others, who had put this project on hold (when the economic environment was more uncertain), will want to buy quickly. Consequently, the first half of 2010 will have been very active on the resale market, while the second half will see more moderate activity, as interest rates progressively rise again. In all, 1,000 homes* will change hands in 2010 in the Trois-Rivières CMA (3.5 per cent).

** MLS® sales*

In 2011, the gradual increase in mortgage rates will curb activity on the resale market. On the other hand, the job market will pick up to a certain extent, which will counterbalance the effect of the slightly less favourable financing conditions for potential buyers. As a result, there should be a total of 975 sales in the CMA in 2011 (-2.5 per cent). Despite the small decreases expected for 2010 and 2011, it should be specified that the levels will stay relatively high from a historical standpoint and that the resale market will remain active in the Trois-Rivières CMA.

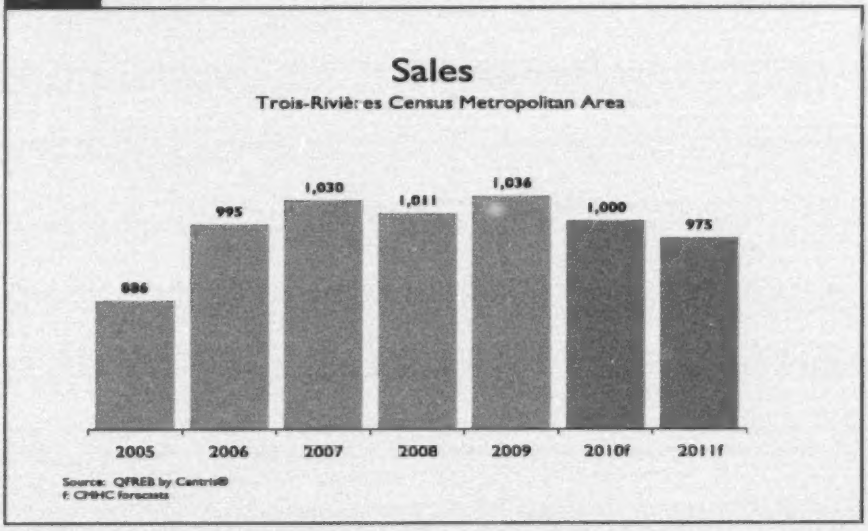
Over the forecast horizon, Trois-Rivières will remain a seller's market. After tightening during the last quarter of 2009, the market should ease progressively, as sales slow down and inventories rise. But even with the expected easing, sellers will retain their negotiating power. Consequently, the growth in the average price of residential properties will exceed inflation in 2010 (+4 per cent) before moving closer to this rate in 2011 (+2.1 per cent). As a result, the average price of homes in the Trois-Rivières CMA will reach $147,750 in 2010 and then rise to $150,850 in 2011.

Residential construction: a very active year in 2010 followed by a slowdown in 2011

Residential construction in the Trois-Rivières area will be quite strong in 2010, supported by a very significant number of rental housing starts. More specifically, seniors' housing will be responsible for this activity this time, as foundations will be laid for more than 500 retirement housing units in the CMA in 2010. And, as in past years, traditional rental housing starts will also be numerous (400 units), once again fuelled by the strong migration in the CMA.

In the case of freehold homes, while the job market will still be sluggish in 2010, the favourable financing conditions, combined with the relatively tight situation on the resale

Figure 3



market, will stimulate construction in this market segment. In addition, the low mortgage rates will continue to prompt a number of renter households to become homeowners, during the first half of the year. As a result, 375 single-detached houses and 150 semi-detached homes will be started. In all, foundations will be laid for 1,425 dwellings in the CMA in 2010 (+39 per cent).

In 2011, the effect of the job market recovery will be moderated by the rise in mortgage rates and the anticipated easing of the resale market. The greater choice of properties for sale on the market and the higher interest rates will cause residential construction to slow down somewhat. Foundations will therefore be laid for 350 single-detached homes (-7 per cent) and 125 semi-detached houses (-17 per cent) across the CMA in 2011.

In the rental housing segment, starts will fall slightly from 2010 but still reach a very high level from a historical standpoint (350 units). Even though migration will continue to put upward pressure on housing demand, the conditions on the rental market—less tight than in past years—will not justify such high volumes of new rental housing units. As for seniors' housing, following the intense activity observed in 2010, it is not expected that there will be any starts of this type in 2011.

Following the circumstantial increase registered in 2010, attributable to the significant seniors' housing construction, a considerable drop in starts will therefore be noted in the CMA in 2011, as 825 new housing units will get under way (-42 per cent).

Rental market to remain relatively stable

After easing in 2009, the rental market will remain relatively stable in 2010 and 2011. While the movement to homeownership that began in 2009 will have continued at the beginning of 2010, the strong migration will boost demand for rental housing in the CMA in 2010 and 2011. On the other hand, rental housing construction will also maintain a good pace, such that, over the next two years, the supply of housing units will meet demand. Consequently, the vacancy rate will stay at 2.7 per cent in 2010, before increasing slightly to 3.0 per cent in 2011.

The rents, for their part, will continue to rise at a rate close to the inflation level. In fact, the rental market will be slightly less tight than in past years in Trois-Rivières and will therefore not justify any major increases in the average rent. As a result, the average rent for two-bedroom apartments will reach $530 in 2010 and $540 in 2011.

Forecast Summary
Trois-Rivières CMA
Spring 2010

	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market[1]							
MLS® Sales	1,030	1,011	1,036	1,000	-3.5	975	-2.5
MLS® Active Listings	470	531	455	475	4.4	525	10.5
MLS® Average Price ($)	132,113	138,366	142,048	147,750	4.0	150,850	2.1
New Home Market							
Starts:							
Single-Detached	430	373	375	375	0.0	350	-6.7
Multiples	767	775	652	1,050	61.0	475	-54.8
Starts - Total	1,197	1,148	1,027	1,425	38.8	825	-42.1
Average Price ($):							
Single-Detached	184,966	195,052	199,774	204,500	2.4	209,000	2.2
Rental Market[2]							
October Vacancy Rate (%)	1.5	1.7	2.7	2.7	–	3.0	–
Two-bedroom Average Rent (October) ($)	487	505	520	530	–	540	–
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	4.23	–	5.56	–
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	6.20	–	7.06	–
Annual Employment Level	70,800	70,000	67,400	67,400	0.0	69,000	2.4
Employment Growth (%)	5.2	-1.1	-3.7	0.0	–	2.4	–
Unemployment rate (%)	7.8	8.0	8.8	9.0	–	8.8	–
Net Migration [3]	795	825	900	950	5.6	950	0.0

[1] *Source: QFREB by Centris®*

[2] *Privately initiated rental apartment structures of three units and over*

[3] *2009 migration data are forecasted*

MLS® is a registered trademark of the Canadian Real Estate Association (CREA)

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Statistics Canada (CANSIM), QFREB by Centris®, CMHC forecasts (2010-2011)

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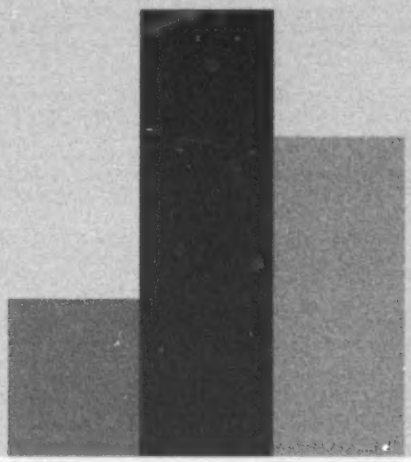

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